

**Remarks Given by
Lt. Governor Becky Skillman
Association for Financial Professionals
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INTRODUCTION

Thank you, Madonna, for those kind words. It's great to be with you today. Isn't this the time of year when every family needs a financial professional? The Governor and I consider each of you to be our partners in progress.

I suppose the idea of giving a speech about finances to a group of financial professionals might seem like a bit of a challenge. And I've certainly enjoyed preparing for what I have to say to you today. But above all, when I think of the people who handle accounts payable and payroll and the huge budgets I know many of you are responsible for – I'm simply filled with respect.

You have a level of expertise that is to be envied, and I'm glad you're using your time and talent for the good of Hoosier businesses and organizations. You literally keep us accountable, and I want to thank you for the wonderful service you provide to support Indiana's economic growth.

I heard a story once about Albert Einstein. He was waiting to give a lecture at a university, and he spent some time with several students before hand. One of the professors introduced Einstein to the students by their IQ.

The first student had an IQ of 180. Einstein was delighted. "We can discuss mathematics!" he said. The second had an IQ of 150. "Wonderful," Einstein says "We can discuss physics!" Another student had an IQ of 100, and Einstein thought they could discuss the latest plays at the theater.

And finally, the last student eagerly approached him. He had an IQ of 80. Einstein smiled at him and said "So, where do you think interest rates are headed?"

While it may be true that everyone has an opinion about money, there are considerably fewer people who have an opinion that's worth listening to. Your opinions are worth listening to. I think it's pretty clear that you all have a reputation for being good with numbers. I'd have no trouble asking any one of you for financial advice. It's my hope that as you look back over the past few years in Indiana, you can be confident about how state government handles money as well.

The Governor and I have worked hard to move Indiana forward from a place of economic stagnation to one of economic rejuvenation. And it's my pleasure to bring you a snapshot of that progress today.

TREASURER'S REPORT

The state Treasurer's office recently published its annual report on the state of Indiana's finances. I think we were all pleased – never satisfied – with the contents of that report.

Thanks to a continued emphasis on sound budgeting and spending control, we've kept State finances well in the black. The State's overall average daily balance of funds reached an all-time high of \$7.5 billion during Fiscal Year 2007.

And I'm proud to report that the State also continues to benefit from the \$3.1 billion in lease proceeds from the Indiana Toll Road that were invested in 2006. The Major Moves Construction Fund and Next Generation Trust Fund continue to earn record amounts of interest. By the first of July 2007, Indiana had earned more than \$160 million in interest – that's an average of about \$446,000 per day.

And every dollar we earn in interest is one less dollar taxpayers have to pay to fund government services. The money we are earning even as I speak is funding our transportation needs all across the state.

ECONOMIC DEVELOPMENT

When Governor Daniels and I assumed office, the State wasn't in that kind of shape. We faced a huge budget deficit, of \$600 million, and significant job loss, so we made Indiana's economic comeback our number one priority. Over the past 3 years, we've put an emphasis on balancing the budget, bringing new jobs and investments, and making state government leaner and more efficient.

Now Indiana is enjoying the benefits of back-to-back, honestly balanced budgets. We turned a deficit into a surplus. We've been paying our debts, and reducing spending everywhere we can.

Re-negotiating contracts, selling aircraft and vehicles we didn't need, and collecting delinquent taxes. You name it, we've done it. And as a result, we've saved taxpayers hundreds of millions of dollars. All of these factors led to an improved credit rating of AA+ for Indiana – the first time in five years.

That improved credit rating has helped us attract a lot of new investment. 2006 was a banner year for job growth and investment. Our state's Economic Development Corporation closed 186 competitive projects and brought nearly 22,000 new jobs to Hoosiers, in 2006 alone. And, I might add, that the average wage for these new jobs is about \$42 thousand a year.

And we're working very hard to keep that momentum going. So far, in 2007, we've closed 146 projects worth more than \$3.1 billion in capital investment. These deals promise more than 20,000 new jobs for Hoosier workers. And, out of the hundreds of business attraction projects we have closed in the past 3 years, nearly two-thirds are with existing Indiana businesses that are choosing to expand here, not elsewhere. There are so many companies moving here and moving HDQ here – that fact often goes unnoticed.

These days, when Indiana competes with other states for new jobs, we win 90 percent of the time. But we have a long way to go to reach the ultimate goal. We must continue to be aggressive and go after new opportunities.

The Governor and I continue to participate in groundbreakings and new job announcements all over the state – events that point to our overall economic health. Those successes just go to show what the private sector can do when conditions are right for their success.

Indiana is now known around the country and the globe as a business-friendly state. Indiana is the most successful state, #1 in new foreign production jobs and second in R&D job creation. Our business taxes are among the lowest in the nation, and the cost of doing business in Indiana is the lowest in the Midwest – and one of the lowest in America.

The Governor and I have pursued new opportunities abroad and at home, and we are constantly looking for new ways to help Hoosier businesses grow. Our 21st Century R&D fund has been refocused to help new technology-driven companies thrive. It now funds innovative start-up companies that are helping to commercialize market-changing technologies.

All of our efforts are moving Indiana in the right direction. For the past two months, the state's unemployment numbers are the lowest they've been in the past six years—since September of 2001. That bodes well for the future, because many of the committed jobs are not here yet. The most recent report, from October of this year, shows that we continue to have the lowest unemployment rate in the Midwest – at 4.6%. And we're constantly looking for ways to improve on that.

LOOKING FORWARD

For the Governor and me, that means pursuing every opportunity to grow. I know many of you share our global perspective on economic development. We've made our commitment to new trade partners pretty clear. You may have noticed the multiple trips we've taken abroad to expand business opportunities for Hoosiers.

I've led trade missions to Central America (Guatemala, Costa Rica and Panama – CAFTA). Later that year, we went to Taiwan and Vietnam. And the Governor recently returned from his third trade mission to Japan. He's traveled to Europe and Asia because he knows – as you do – that business is as big as you make it. We want Indiana's businesses to be able to compete in the global market. We're doing all we can to put our best foot forward.

And those new opportunities are coming in all different shapes and sizes, helping us to diversify our state's economy. This is the perfect opportunity for technology based companies, life sciences and agricultural industry, to be an even stronger drivers in our economy.

We can't rely on just one sector to keep us going. Yes, Indiana has been proud through the years to be the number one state in manufacturing jobs. But, we learned the hard way that relying too heavily on JUST one thing – manufacturing – we become far too dependent on it for our economic livelihood. That's why we've supported measures that fund life science research at our major universities, created grant programs for Technology Development, and pursued tax credits for technology-driven companies and for biofuels production companies.

This is a great time to do business in the Hoosier state, and an exciting time to be handling the money that is being made and invested.

PROPERTY TAXES

There are a lot of good things going on in Indiana these days, but they're being overshadowed by one larger issue – what I like to call a perfect storm of events. Property taxes have captured the attention of more citizens than any issue I remember in recent history. The perfect storm of events includes the court order to assess property based on market prices, and the legislature repealing inventory taxes, and switching to annual reassessments or “trending.” Total local statewide spending on schools, libraries, construction, and local government services has grown faster than taxpayers' incomes. When this perfect storm happens, property taxes can ONLY go up.

But I believe, we are on our way to finding a permanent solution. In October, the Governor laid out his plan for a lasting answer to property tax relief and reform. We have a rare opportunity right now to solve a major problem without rehashing and revising every few years. I believe this is a defining moment for Indiana. This is a moment when we can choose to continue the status quo, though we all know where that has gotten us, OR we can choose to adapt.

For many months, the Governor and our team have studied all of the past approaches, as well as potential solutions. Over the past 35 years, state government, through the legislature, has tried to help out numerous times, and yet every few years, property taxes would be higher regardless.

The Governor and I are proposing a permanent cap on property taxes. Our plan would use a constitutional amendment to keep tax bills from going over 1% of the assessed value of homes. No homeowner would ever pay more than 1 cent on the dollar of the value of their home. Residential rental property would be capped at 2% and business property at 3%. This will reassure all taxpayers that their tax bills will be predictable. And it will put the business property tax cap in place a full year before it would have been available otherwise.

Overall, our plan will give the average Hoosier homeowner about a one-third property tax reduction. Exact amounts will vary, of course, but that is our best estimate at general relief. (Recent report LSA...up to 41%)

The state will also take on the full cost of child welfare and K-12 school operating and school transportation. Moving this responsibility to the state will take that entire burden off local property taxpayers.

Of course, with these changes, there will be some lost revenue involved. So we've proposed a one penny sales tax increase – although the tax break is worth about \$1.92 for every \$1 in sales tax. All Hoosiers pay sales tax. It's based on consumption, and it is the fairest way to recoup lost property tax revenue while keeping our economic growth going strong.

In addition to these critical actions, we think local taxpayers should be part of the big ticket decisions in their communities. Local referendum votes would be necessary for large construction projects, and when local taxing units set their budgets, they would be reviewed by a single point of accountability. County tax boards would review and approve the spending plans of all taxing units long before tax bills are sent out. The Governor's plan allows local control and local accountability.

Several months ago, the Governor has also formed a Blue Ribbon Commission on Local Government Reform, including schools. The Commission is chaired by former Governor Joe Kernan, and Chief Justice Randall Shepherd – two statesmen who want only the best for Hoosiers. Their report of recommendations was announced a few hours ago. It is bold and comprehensive. It's a recommendation for dramatic change in how we govern at the local level. We will give the report serious scrutiny, as all Hoosiers should do. The title really says it all – “We've got to stop governing like this.”

I expect the legislature to spend a great deal of the upcoming session dealing with property tax reform. The Governor considers this to be “jump ball.” It all begins now. We are pleased there appears to be bi-partisan support to affect real change. The Governor knows there will be 150 sets of fingerprints on the plan (meaning modifications) and that's okay. We do want the basic parameters to remain – Cut now, and cap forever.

CONCLUSION

(Slow)

While the property tax debate is likely to consume the bulk of discussion in 2008 session, that doesn't mean the work of economic development will take a back seat. As we look for solutions, we need to continue moving ahead as well.

You are the financial backbone of Indiana's economy, and you are uniquely equipped to help us move forward. When you are diligent in your work and hold the standard high, you're laying a strong foundation for future growth.

So thank you for taking on that role. Business growth, economic development and community development is ultimately in the hands of people like you – who care about the bottom line and the future of our state. And you are one of the reasons our state will see a complete economic comeback. Thanks for all you do – Thanks for having me here today.